REQUEST FOR APPROVAL (Revised)

To: Howard Levenson
Deputy Director

Through: Cara Morgan
Branch Chief

From: Jennifer Caldwell & Don Peri
Senior Integrated Waste Management Specialists

Request Date: March 21, 2011

Decision Subject: Revision Of Applicant Eligibility Criteria, Evaluation Process And Funding Levels For Individual Grants For The Tire-Derived Product Business Assistance Program: Technical Assistance Grants Contract (Tire Recycling Management Fund, FYs 2010/11, 2011/12, and 2012/13)

Action By: April 12, 2011

Summary of Request:

Note: The purpose of this Request for Approval is to make changes to the Applicant Eligibility and Ineligibility Criteria from the November 16, 2010, Request for Approval. The changes are identified in strikeout and underline on pages 5 and 6 below.

Staff requests approval of Scopes of Work (SOWs) for two Tire-Derived Product Business Assistance Program (TBAP) contracts: one for grants to provide technical assistance to individual businesses, and one to provide support for industry-wide support activities. Based on experience gained from previous TBAP contracts and from the 2010 Waste Tire Market Development Program Evaluation Report, staff believes that two contracts will best facilitate the achievement of TBAP objectives. Separating the technical assistance grants and industry-wide support activities contracts will allow each contractor to concentrate on a more narrowly focused scope of work.

Funding is estimated at $3.6 million (including administrative costs) for the technical assistance grants contract and $1.2 million (including administrative costs) for the industry-wide support activities contract, based on availability of funding. Upon approval of the SOWs, staff will work with CalRecycle administrative staff to issue two Requests for Proposals (RFPs). Both RFPs will be of the "secondary" type: which requires evaluation of proposals by an evaluation committee with the award made to the responsible proposer earning the highest score, taking into account expertise, approaches, method, innovation and cost effectiveness.

Staff also requests approval of the applicant eligibility criteria, evaluation process, and funding levels for the technical assistance grants for the SOW under consideration. Based on experience gained from the previous grant cycles as well as recommendations from the 2010 Waste Tire Market Development Program Evaluation Report, staff has made revisions to the eligibility criteria, evaluation process, and funding levels.

Recommendation: Staff recommends approval of two separate scopes of work for TBAP contracts (Attachment 1 regarding Technical Assistance Grants and Attachment 2 regarding Industry-wide Support Activities) and of the applicant eligibility criteria, evaluation process, and funding levels for the technical assistance grants under the contract, as described in Section 2 below.

Assistant Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out above, I hereby approve the two scopes of work for TBAP contracts (Tire-Derived Products Business Assistance Program: Technical Assistance Grants and Tire-Derived Product Business Assistance Program: Industry-wide Support) and the applicant eligibility criteria, evaluation process, and funding levels for the technical assistance grants under the contract.

Dated: 4/12/11

Howard Levenson

Howard Levenson, Deputy Director
Materials Management and Local Assistance Division

Attachments:

1. Scope of Work: Tire-Derived Products Business Assistance Program: Technical Assistance Grants
2. Scope of Work: Tire-Derived Product Business Assistance Program: Industry-wide Support Activities

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Background Information, Analysis, and Findings:

The Tire-Derived Products Business Assistance Program (TBAP) was originally developed through input received at stakeholder meetings in 2005, with the actual program starting in March 2006. The TBAP program has two distinct elements. The first is business technical assistance grants and the second is industry-wide support projects.

TBAP business technical assistance grants aim to strengthen the profitability and business performance of waste tire processors and tire-derived product (TDP) producers, installers and

marketers, and to increase and diversify markets for TDPs. Ultimately the program seeks to ensure that firms in the TDP supply chain are self-sufficient and independently viable. Under TBAP, applicants submit a package detailing their requested use of services, along with detailed business and financial information. In coordination with CalRecycle staff, the TBAP contractor provides an independent assessment of each applicant's needs, which serves as the basis for developing an assistance action plan. Assistance services are provided by a multi-disciplinary contractor team and may include: technical assistance (e.g., increasing operational efficiency and product consistency), marketing assistance (e.g., website and collateral design and product, or market strategy development), general business assistance (e.g., business strategy development or refined performance measurement systems), or product testing assistance (e.g., documenting product performance in relation to established standards).

The second TBAP program element involves industry-wide support projects that aim to benefit one or more industry sectors (as opposed to one-on-one assistance to a particular firm), or to help support CalRecycle's waste tire market development programs. Over the course of the past two TBAP contracts, these activities have served to overcome barriers and help the industry better target TDP markets through projects that have:

- assessed the management of scrap tires in CA;
- conducted feedstock conversion research to determine TDP feasibility and further expand uses of waste tires;
- conducted supply and demand inventories;
- mapped the waste tire industry to better understand California's processor and manufacturer infrastructure;
- conducted market penetration analyses and evaluation of CA waste tire market development programs;
- facilitated government and green building sales support through compilation of a TDP catalog and its dissemination to state agency procurement officials, architects, and landscape designers;
- established a coordinated industry network;
- provided business quality control and process improvement training; and,
- conducted workshops to assist and inform Tire Interested Parties about market development activities.

In the first two TBAP contracts, the Contractor had responsibility for both the grant consultative services program and the industry-wide support activities. CalRecycle staff determined that separating program elements into two contracts will be more efficient and cost effective, while allowing each contractor to concentrate on a more narrowly focused scope of work.

1. Proposed Technical Assistance Grants Contract

The contract for technical assistance grants will continue the focus of the previous grant cycles to strengthen the profitability and business performance of waste tire processors and TDP producers, installers and marketers, and to increase and diversify markets for TDPs, with the long-term goal of helping to ensure that firms in the TDP supply chain are self-sufficient and independently viable. The proposed SOW for this contract (Attachment 1) contains the

following major tasks: (1) develop workplan, (2) market the program, (3) in consultation with Program staff, conduct comprehensive analysis and prepare general business needs assessment, (4) provide technical assistance, (5) collaborate with TBAP industry-wide contractor, and (6) submit reports.

Staff has made some revisions to the administration of the grants to facilitate a closer working relationship with the Contractor and the grantees. Revisions to the applicant eligibility, evaluation process, and funding levels to provide more clarity for grant administration and make the grant process more transparent are described in detail in Section 2.

Activity	Estimated Budget*	Estimated End Date
Grantee Assessments/Grants Administration	$600,000	April 30, 2013
Grantee Consultant Service Projects	$3,000,000	April 30, 2013

** Does not necessarily reflect final amount of funding in executed Contract.*

The breakdown is as follow:

	Grants	Industry Wide
FY 10/11	$2,100,000	$400,000
FY 11/12	$274,000	$400,000
FY 12/13	$1,226,000	$400,000
Total	$3,600,000	$1,200,000

2. Applicant Eligibility Criteria, Applicant Ineligibility, Funding Award Level and Evaluation Process

A) Applicant Eligibility Criteria

Eligible applicants are for-profit California-based TDP businesses, qualifying California Indian tribes and those for-profit TDP businesses domiciled in other states but with an existing operational presence in California.

Eligible applicants must produce in California products made from recycled 100 percent California-generated waste tires for the recycled rubber portion of the product. Feedstock conversion using 80 to 300 mesh or even smaller fine crumb rubber sourced out of California may be used for "testing and demonstration" purposes, subject to CalRecycle staff determination that the needed materials are not currently available in California.

Eligible applicants must be involved in one or more of the following activities:

- Processing California waste tires to produce raw materials for TDP;
- Manufacturing products made from California-generated waste tire rubber;
- Marketing or installing products made from California-generated waste tire rubber; and/or,
- Investigating the use of California-generated waste tire rubber to manufacture established products that do not currently use recycled rubber (i.e., feedstock conversion) or engaged in product development, including the following activities:

    a. Identifying options for new product development and feedstock conversion based on analysis of company's current operations and outside market trends.
    b. Evaluating and prioritizing options for the company, based on their unique context, strengths, weaknesses, etc.
    c. Assisting in developing pro forma financial statements based on assumptions related to new product roll out.
    d. Assisting in pursuing financing to support new product development/commercialization.
    e. Assisting companies to develop strategies/approaches for new product development/feedstock conversion, including conducting research on existing products and processes, etc., but not developing product formulations.
    f. Conducting market research to evaluate specific sales channels and strategies for new products.
    g. Crafting new marketing and sales strategies focused on new products.
    h. Conducting tests of new products/reformulated products.
    i. Providing input on the types of technologies, equipment and equipment optimization, and manufacturing approaches that could be considered to create commercial scale production of new products/reformulated products. Technical advice may be offered regarding formulation for new products, as deemed necessary by the Grantee, Contractor and CalRecycle Contract Manager.

Eligible subsidiary and/or affiliated businesses that apply for an assistance grant will receive an initial assessment (limited to two businesses per fiscal year period), and are limited to a maximum combined technical assistance grant of $175,000 per year for all affiliated businesses. A business is considered an "affiliated business" if it has at least one owner with a 20 percent or greater interest in another applicant business. For example, if two or more affiliated businesses apply for a grant, two businesses will be eligible for an initial

assessment, but CalRecycle will only award one grant and the affiliated businesses will determine if or how to share the award.

B) Applicant Ineligibility

Ineligible applicants/activities include, but are not limited to:

- Businesses that perform waste tire incineration, pyrolysis, gasification, and/or liquefaction.
- Waste tire collectors and/or haulers; also the tire collection and/or hauling portion of other businesses.
- Businesses, or that portion of a business's operation, that shred or chip tires for use as alternative daily cover (ADC) or tire-derived fuel (TDF).
- Businesses that perform only research and testing and are not in business to produce and/or sell products.
- Wholesalers and/or distributors (however, such businesses may benefit from assistance provided to eligible businesses if the assistance directly or indirectly helps that business to increase its products, possibly affecting price or volume).
- De novo businesses (from concept stage to less than one year of actual operation/sales) unless the de novo business is an affiliated spinoff of an established business that is expanding into the recycled tire arena or it has been approved for a RMDZ loan within the last three years.
- Businesses that submit applications that do not contain the required information shall be considered incomplete and will be disqualified.
- ~~Note: Product development and associated testing are not eligible activities for grant funding~~ assistance. ~~With regard to feedstock conversion, if the recipe for a product is being changed to replace an ingredient with recycled rubber, that would not be considered product development, and testing to meet standards or other tests to facilitate marketability would be appropriate. If the grantee wants to create a new product using recycled rubber, that would be considered product development, raising questions of intellectual property ownership, and would not be eligible for assistance under this grant.~~

C) Funding Award Level

The maximum award amount ($175,000) is determined by the business category and PTEs [Passenger Tire Equivalents] diverted in the previous calendar year (see chart below). The minimum award for each eligible applicant will be $50,000 in assistance. The specific award amount will be determined based on the Assessment. CalRecycle will require the business to provide supporting documentation for the number of PTEs diverted. Note: If the number of

PTEs is overstated by more than 15 percent, it will be deemed a substantial and material overstatement and will result in disqualification of the application for this cycle, and potentially for any future grants from CalRecycle, for a period of three years. There is no match requirement. However, it is expected that TBAP monies supplement, not supplant, existing business efforts. The previous grant cycles included more business categories including start-up, custom manufacturer, non-production, and expanding, and varied the maximum award levels among the categories. Staff has streamlined the categories and standardized the maximum award levels in order to provide more clarity to the funding award levels and to bring more transparency to the process. The establishment of a minimum award level is designed to provide enough funding so that each grantee will receive valuable technical assistance.

Business Category	Business Life	PTE in Prior Calendar Year	Award Based on $ per PTE	Maximum Award
Small	1 year or more	At least 5,000 to no more than 250,000*	$1.50	$175,000
Existing	3 years or more	At least 5,000	$.75	$175,000
Conversion**	3 years or more	At least 5,000	$5.00	$175,000

** 250,000 PTEs for molded, extruded or other products; 500,000 PTE crumb rubber (less than ¼ inch) or coarse rubber (¼ inch to 1 inch for markets other than Tire-Derived Fuel or Civil Engineering) production; or 1,000,000 PTEs for civil engineering applications. Note: PTE means Passenger Tire Equivalent and equates to 12 pounds of crumb rubber or 20 pounds of tire shreds or chips from California generated tires. If a tire-derived product (TDP) contains less than 30 percent (by weight) of the original fiber and steel that was in the whole tire, then use 12 pounds to calculate the number of PTEs. If a TDP contains 30 percent or more (by weight) of the original fiber and steel that was in the whole tire, then use 20 pounds to calculate the number of PTEs. The PTE number used for this Program relates to the number of PTEs sold or used internally by the business and sold in an intermediate or final product in the immediately preceding calendar year. For the purposes of calculating the PTEs, the term "sold" includes products for which revenue is received or a fee paid for transfer*

*.**Conversion to recycled rubber (currently manufacturing a product with virgin material and intends to convert to using recycled California rubber). In the case of feedstock conversion projects, the PTE figure will be the Contractor's, the CalRecycle Contract Manager's, and business representative's consensus estimate of annual PTE to be diverted upon project completion.*

D) Evaluation Process

There will be one application period in Spring 2011 for the term of this contract. A business will submit an application (including company information such as financial information, business and marketing plans, etc.) to CalRecycle. Applications that do not contain the required information shall be considered incomplete and will be disqualified.

The CalRecycle Contract Manager (Contract Manager), in conjunction with the Contractor, based upon the application, will determine whether the applicant business is eligible and meets the criteria identified above. Then the Contract Manager will determine the potential maximum award based upon the Business Category.

If Requests Exceed Available Funds -- The Contractor and Contract Manager will review and analyze the application information for each business, visit the business location, and meet with the owner/management to determine the assistance needed. The Contractor will prepare an assessment detailing the identified assistance with cost estimates and will present the assessment findings to the business and Contract Manager, identifying and prioritizing assistance that will most benefit the business. Upon review of the assessment recommendations, the Contract Manager will have final authority regarding determination of the assistance and amount that will be authorized. The Contract Manager shall communicate to the Grantees the amount that will be recommended for approval.

If requests exceed available monies, first consideration will be given to applicants that have not received a previous TBAP grant. Second consideration will be given to feedstock conversion applicants. If there are more requests from applicants that have received previous TBAP grants, then the requests will be ranked by the number of PTEs diverted in the most recent calendar year and placed in descending order (starting with the greatest number of tires diverted) or the Contract Manager may choose to reduce the maximum award levels to accommodate all eligible grantees by ranking, in consultation with the Contractor and the applicant, the categories of assistance requested so that all the applicants receive assistance with their most pressing needs.

3. Proposed Industry-Wide Support Activities Contract

Based on experience gained from previous TBAP contracts and from the 2010 Waste Tire Market Development Program Evaluation Report, staff has focused the industry-wide support on furthering the development of feedstock conversion, promoting TDPs to the government and private sectors, continuing to develop industry standards, communicating to stakeholders through conferences, etc., and conducting annual market analyses. The Industry-wide Support Activities contract, as outlined in the summary/timeline below, will be based on the proposed SOW (Attachment 2), which includes development of a work plan, technical research and industry support activities, two annual TDP materials market analyses and fulfillment of reporting requirements. These are briefly described in the table below and are further described in the scope of work.

Activity	Estimated Budget*	Estimated End Date
Task 1. Development of Industry-wide Support Activities Work Plans	30,000	June, 2011

Task 2. Conduct Research on TDPs and Potential New Products and Technologies that Use Waste Tires (Feedstock Conversion)	190,000	Ongoing through April 30, 2013
Task 3. Conduct Outreach and Education to Promote TDPs to Government and Private Entities	280,000	Ongoing through April 30, 2013
Task 4. Continue to Develop and Establish Industry-wide Standards	210,000	Ongoing through April 30, 2013
Task 5. Conference	30,000	2012 and 2013
Task 6. Ad/hoc Assistance	10,000	Ongoing through April 30, 2013
Task 7. Conduct Annual Tire-Derived Product Materials Market Analysis	300,000	Spring 2012 and Spring 2013
Task 8. Contractor Coordination	N/A	Ongoing through April 30, 2013
Industry-wide Activities Administration and Reporting	150,000	Quarterly reports – thru April, 2013; final April 30, 2013

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